

Message Text

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ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 PRS-01 RSR-01 /109 W
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P 251510 Z JUN 73

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 6068

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FOR EXIMBANK

E. O. 11652: N/ A

TAGS: EFIN

SUBJECT: SAGUNTO STEEL MILL (AHM) PROJECT

REF: MADRID 3528; STATE 122634

1. EMBOFF REQUESTED THAT VILLAR MIR SPEAK TO FERNANDEZ ORDONEZ FOR PURPOSE OF REGISTERING AHM' S INTEREST IN THE FINANCE MINISTRY PROVIDING SOME SORT OF WRITTEN ASSURANCE TO EXIM REGARDING NON-SUBORDINATION OF EXIM' S POSITION AS A CREDITOR OF AHM. THIS VILLAR MIR DID AND SUBSEQUENTLY INFORMED THE EMBOFF THAT HE TOO HAD THE IMPRESSION THAT FERNANDEZ ORDONEZ WOULD DO WHAT WAS POSSIBLE ALTHOUGH THERE WAS A CERTAIN DEGREE OF PESSIMISM IN HIS REACTION.

2. FOR THE FIRST TIME VILLAR MIR EXPRESSED GREAT CONCERN AS TO THE EFFECT ALL OF THIS IS HAVING ON AHM' S CREDIT REPUTATION AND PRESTIGE. HE FEELS THAT CONSIDERABLE DAMAGE HAS ALREADY BEEN DONE AND WITH EACH DAY THAT PASSES WITHOUT A RESOLUTION OF THE ISSUE THE SITUATION BECOMES WORSE. NOT ONLY IS IT BECOMING A QUESTION OF HONOR BUT IT ALSO MAY BE SEEN AS REDUCING AHM' S POTENTIAL FUTURE CREDIT LINES AND TERMS WITH LENDERS WORLDWIDE AS THE WORD GETS AROUND THAT EXIM HAS DOUBTS ABOUT THE CREDITWORTHINESS OF THE PROJECT.

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3. IT HAS BEEN ANNOUNCED THAT THE FINANCE MINISTRY UNDERSECRETARY POSITION THAT FERNANDEZ ORDONEZ WILL FILL WILL BE CHARGED WITH RESPONSIBILITY FOR CONTROL OVER ALL FINANCIAL POLICY FOR SPAIN AND WILL INCLUDE BANKING REGULATIONS, MONETARY AND FISCAL POLICY, AS WELL AS INTERNATIONAL CREDIT MATTERS. THIS BEING THE CASE, THE EMBASSY REQUESTS ADVICE ON WHETHER HIS SIGNATURE ALONE RATHER THAN THAT OF THE FINANCE MINISTER ON THE PROPOSED LETTER OF ASSURANCE TO EXIM WOULD NOT BE SUFFICIENT. ANY SORT OF LETTER WOULD BE QUITE DIFFICULT TO OBTAIN. HOWEVER, ADDING THE REQUIREMENT THAT IT SHOULD BE SIGNED BY THE FINANCE MINISTER REDUCES EVEN MORE THE CHANCES OF SUCCESS SINCE HE IS COMPLETELY NEW AND WILL UNDOUBTEDLY BE OVERLY CAUTIOUS IN MAKING COMMITMENTS ON MATTERS UNFAMILIAR TO HIM IN THE FIRST FEW DAYS OF HIS COMING ON DUTY.

4. AS SOON AS THE EMBASSY HAS RECEIVED FURTHER WORD FROM FERNANDEZ ORDONEZ, WHICH COULD COME TODAY OR TOMORROW, IT WILL BE REPORTED TO WASHINGTON.
RIVERO

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973MADRID03568
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730627/aaaajlji.tel
Line Count: 87
Locator: TEXT ON-LINE
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 MADRID 3528, 73 STATE 122634
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 26 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26-Sep-2001 by kelleyw0>; APPROVED <30-Nov-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980220; srp 980220
Subject: SAGUNTO STEEL MILL (AHM) PROJECT
TAGS: EFIN
To: SECSTATE WASHDC
XMB
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005